

ASSEMBLY BILL

No. 1043

Introduced by Assembly Member Liu

February 20, 2003

An act to add Article 2.5 (commencing with Section 7076) to Chapter 8 of Part 1 of Division 2 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1043, as introduced, Liu. State Board of Equalization: managed audit program.

The Sales and Use Tax Law authorizes the State Board of Equalization, or its authorized representative, to examine the books, papers, records, and equipment of any person selling tangible personal property at retail and any person liable for the use tax to verify the accuracy of any return made under that law.

This bill would establish the managed audit program, as specified, and allow a taxpayer to participate in the program if that taxpayer meets certain criteria. This bill would, if the board identifies an underpayment of tax during any audit under the program, require the taxpayer to pay interest on that underpayment at a rate that is $\frac{1}{2}$ the rate of interest that would otherwise be charged for the underpayment.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Article 2.5 (commencing with Section 7076) is added to Chapter 8 of Part 1 of Division 2 of the Revenue and Taxation Code, to read:

Article 2.5. Managed Audit Program

7076. (a) The State Board of Equalization shall determine which taxpayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A taxpayer is not required to participate in the managed audit program.

7076.1. A taxpayer's account is eligible for the managed audit program only if the taxpayer meets all of the following criteria:

(a) The taxpayer's business involves few or no statutory exemptions.

(b) The taxpayer's business involves a single or small number of clearly defined taxability issues.

(c) The taxpayer is taxed pursuant to this part and agrees to participate in the managed audit program.

(d) The taxpayer has the resources to comply with the managed audit instructions provided by the board.

7076.2. (a) If the board selects a taxpayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions covered by the managed audit.

(C) The specific procedures that the taxpayer is to follow in determining any liability.

(D) The records to be reviewed by the taxpayer.

(E) The manner in which the types of transactions are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The taxpayer shall:

1 (A) Examine its books, records, and equipment to determine if
2 it has any unreported tax liability for the audit period.

3 (B) Make available to the board for verification all
4 computations, books, records, and equipment examined pursuant
5 to subparagraph (A).

6 (b) The information provided by the taxpayer pursuant to
7 paragraph (2) of subdivision (a) is the same information that is
8 required for the completion of any other audit that the board may
9 conduct.

10 7076.3. Nothing in this article limits the board's authority to
11 examine the books, papers, records, and equipment of a taxpayer
12 under Section 7054.

13 7076.4. Upon completion of the managed audit and
14 verification by the board, interest on any unpaid liability shall be
15 computed at one-half the rate that would otherwise be imposed for
16 liabilities covered by the audit period. Payment of the liabilities
17 and interest shall be made within the time period specified by the
18 board. If the requirements for the managed audit are not satisfied,
19 the board may proceed to examine the records of the taxpayer in
20 a manner to be determined by the board under law.

